

A turn to the market: a magical solution but is it practically adequate? The impact of a market oriented food policy

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Abstract

This paper attempts to explore the impact of a market oriented food policy on the vegetable sector in England. Since the publication of The Curry Report in 2002, policy has turned to the market, and to better marketing, to transform a farming sector beset by crises into a sustainable food supply system. This was to be achieved with a sprinkling of marketing magic to transform inward-looking producers into competitive, sustainable and diverse rural businesses. On the consumption side, policy aimed to encourage individuals to adopt diets rich in vegetables (and fruit), for health and to lower environmental impact (2010). Marketing practices, criticised in many other contexts for fetishizing commodities (Williams, 1980) would transform humble vegetables into objects of desire and encourage more consumption. Our research suggests that a policy based on market reconnection has had mixed results in terms of encouraging increased production and consumption of vegetables and we question whether a market oriented policy has been practically adequate (i.e. works in the real world) in achieving policy goals.

Background

The period at the end of the 20th century was challenging for British farmers. Declining incomes, and declining influence for farmers were bad enough, and then various crises brought farming in the UK to a low point (Greer, 2005). A less spectacular change was also having a profound effect on English vegetable growers: the development of buyer-dominated global commodity supply chains (Gereffi and Korzeniewicz, 1994). Supermarkets, were able to appropriate a large proportion of the value created (Towill, 2005).

Marketing has been characterised as having magical qualities (Brown, 2009). It transforms commodities into glamorous signifiers to add value for producers and consumers (Williams, 1980). It turns base utility into symbolic acts of consumption. Policy makers hoped for a sustainable food system by invoking the power of marketing to deliver competitive advantage to growers and to charm consumers to increase vegetable consumption.

Our starting point is the publication of The Curry Report in 2002. It was, in effect, a ‘turn to the market’ in food and farming policy in which farmers were encouraged to engage in marketing practices as a means of addressing the issues faced by the sector. It also was the point at which policy engaged with sustainability. It adopted the Brundtland conception of sustainable development (1987) and a three pillar model of sustainability (Elkington, 1994) i) Profit (by far the largest section); ii) Environment; and iii) People (the smallest section). The aim was to create a ‘*sustainable, competitive and diverse farming and food sector*’ (2002: page 5). Farmers were advised to look to their markets to help them decide what to produce,

they could no longer rely on production subsidies. Environmental protection was conceptualised as a service provided by farmers and paid for from the public purse. Conventional marketing strategies from Porter (1985) and Ansoff (1986) were advocated: reduce costs, add value, diversify. As far as consumption was concerned, the role of policy was to provide rational sovereign consumers with information about healthy choices. Now that over a decade has passed it seems timely to ask whether the magic of marketing has created a sustainable model for agriculture. We have taken as our focus the vegetable sector since this sector is closely linked to lower environmental impact and better health (see Appendix 2). The headline figures do not look good, home production of vegetables has not increased (Basic Horticultural Statistics 2014 and Agriculture UK 2014) and although there has been a modest increase in supply mainly from imports, consumption is well short of recommended levels (see Appendix 1).

Research Aim

To explore the impact of a market oriented food policy on the vegetable sector in England. To what extent did policies, shaped by ideas about markets and marketing, facilitate a shift to a sustainable model of agriculture?

Method

This study adopts a critical realist perspective (Sayer, 1984) which assumes that observations of social phenomena are affected by the conceptualisations we use. A key test for a researcher adopting a critical realist stance is *practical adequacy*, the research must provide an explanation that ‘works’ in the real world. The study is based on data from interviews with key informants chosen for their knowledge of vegetable production in England. NVivo was used to code the interviews. We used the three pillar model of sustainability as broad *a priori* categories but allowed themes within each category to emerge following the approach described by Ritchie et al. (2014). Mason (2010) suggests that the number of participants should reflect the heterogeneity of the sector under investigation so the study included vegetable growers (conventional and organic, large and small, field scale and protected crops); grower representatives (e.g. British Growers Association); grower consultants (e.g. advisors from quality standards bodies); and policy experts (e.g. representatives from Defra). See Appendix 3 for the structure of the sample.

Results

Pillar 1: the economic pillar of sustainability

Productivity

Conventional and organic growers had different perspectives on productivity. Conventional growers focused on improving labour productivity since farm labour was a significant cost. They focused on the mechanisation of vegetable production. Organic growers talked of productivity across a wider group of inputs – land and soil and other resource inputs for example. One conventional grower representative talked optimistically about applying production techniques from other sectors of the economy, whilst organic growers displayed a reluctance to externalise some natural resource issues:

'We're planning to visit a car plant in Coventry [...] to see whether robotic technology could help reduce labour input.' Quote from grower representative (Rep06)

'...we're going to have to get as much food out of the land as we can. And that's the thing, we can't make more land. We can have more workers. It might make it more expensive but in terms of productivity of land area [organic growers] we're doing it much more productive.' Quote from organic grower (Gr03)

A policy expert who was critical of buyer dominated global commodity supply chains suggested that the focus on farm labour productivity was misplaced. 'Waste' as he saw it, in downstream activities, and the value appropriated by wholesalers and retailers, were responsible for higher food prices not high farm labour costs:

'...only 10% of the total food cost goes to the [farm] worker. [But] The whole thrust of agricultural policy when it comes to [...] price reduction is to cut down the labour force.' Quote from policy commentator (Pol04)

Price issues

Growers were acutely aware of the need to be competitive. They were aware of consumers' reactions to food prices.

'whenever people are short of money they economise on food because it's one of the few things where they have real discretion' Quote from conventional grower (Gr08)

But organic growers believed that price perceptions, influenced by packaging and promotions affected consumers' choices. In supermarkets specialist produce were packaged in small pack sizes to achieve a particular price point. One organic grower said of his baby vegetables:

'...ours won't be more than £6.50 [...] but then they're £9.99 a kilo in the Tesco's pack' Quote from organic grower (Gr02)

Grower margins/farm gate prices

Many participants reported that margins were low for medium sized growers especially for those that supplied the supermarkets. This meant some growers exiting the retail market but for those remaining (mainly larger) growers there was some optimism as they envisaged rising global demand:

'...they [the supermarkets] were going to put me out of business...' Quote from organic grower (Gr04).

'what they say is, "We're not investing in this crop and getting three pound a chip when we need five pound a chip, we are not going to sell this below what it cost us."' Quote from grower consultant (Con04)

'with the demand profile that's going to be hitting us, it's a good place to be' Quote from a GPMO manager (GP01)

Contractual arrangements

Policy had encouraged supply chain actors to agree formal contracts but contracts between buyers and sellers of produce were not commonplace and contracts were seen as a double-edged sword used by supermarkets to secure year round supply.

'...there are very, very few written contracts in this business....' Quote from conventional grower (Gr06)

'Contracts, any contract worth its salt says 'you've got to provide A at price all of the time and if you can't do that all of the time then you've got to go and get it, and nine times out of ten when you've got to go and get it, it's going to be a lot more than the price that was agreed.' Quote from grower representative (Rep04)

Access to end consumer markets

Many participants reported that access to consumer markets was largely controlled by the retail multiples and the large grower-packer marketing organisations (GPMOs) that act as their focal suppliers. A Defra representative conceded that buyer concentration was challenging for growers:

'I suspect it might be a barrier to entry as well, that if you decided that you wanted to grow some carrots, you would have trouble selling them.' Quote from Defra representative (Pol02)

Policy had encouraged growers to develop alternative routes to market such as farmers' markets.

'... having that direct link with the customer [a market stall in a weekly market]. It gives us a chance.... We can talk to people and find out what they want...' Quote from small organic grower (Gr03)

Grower packers and the retail multiples

Participants described the inter-dependence between supermarkets and the large GPMOs:

'...we are in very close communication with them at all sorts of levels...' Quote from GPMO manager (GP02)

'we [...] bid for programmes, very often twice yearly, for a summer or winter programme.' Quote from GPMO manager (GP01)

Grower-farmers and the retail multiples

There was some support of supermarkets but smaller grower farmers, whether organic or conventional, found it difficult to be successful in the supermarket supply chain and alternatives routes to market were few and far between for grower-farmers:

'UK supermarkets have totally raised the game of the vegetable industry in terms of quality and traceability.' Quote from conventional grower (Gr06)

'...you do not want to be selling to the category manager' Quote from organic grower (Gr04)

They [supermarkets] can be capricious [...] And so you do not do anything to offend them.' Quote from conventional grower (Gr06)

'[box schemes] as a percentage of the retail market in fruit and veg, I mean they hardly register.' Quote from conventional grower (Gr08)

Where growers could access alternative routes to market there were opportunities to compete since supermarkets did not seem to provide significantly cheaper produce:

'But with the supermarkets they aren't that cheap on fruit and veg either. I think we can compete with them on a price level as well.' Quote from organic grower (Gr03)

'they [the government] are very closely affiliated with the retail sector [...] they know that the biggest driver of [...] keeping inflation under control, are the retailers. And actually, I think they've been misguided on that, because the retail margins go up [...] while the sort of primary production and significant sectors of the food industry are actually getting weaker and weaker.' Quote from policy expert and grower (Pol01)

And there were concerns about food supply resilience:

'...you were getting into quite a precarious situation [...] because the production of our food is being consolidated in ever fewer hands. It's also being consolidated geographically as well...' Quote from conventional grower (Gr05)

'We're also getting to the point where Asda has no one to buy carrots from...' Quote from Defra representative (Pol02)

'...something's going to blow, isn't it? [...] they'll turn round and half of food production is no longer there [...] Where are all these growers that were there ten years ago? Well, they're no longer doing it, 'cause you didn't pay them any money.' Quote from conventional grower (Gr01)

Pillar 2: the environmental pillar of sustainability

Reducing energy waste

The Curry report encouraged farmers to reduce production costs with a focus on a carbon-neutral conceptualisation of environmental sustainability. However, there were questions about whether the focus on renewable energy was a distraction. One grower consultant felt that managerial expertise was being focused on exploring opportunities to obtain subsidies for renewable inputs instead of re-thinking production according to sustainable principles:

'A lot of environmental aspects have become core business now, to do with waste management, and energy' Quote from grower representative (Rep05)

'...looking at carbon is proving very effective because [...] reducing carbon is saving money.' Quote from grower representative (Rep06)

'So there's this whole dynamic of being able to develop new crops, new months of production in this country which nobody is picking up, or very few people are picking up' Quote from grower consultant (Con04)

Organic as environmental

The conflation between 'organic as environmental' was contested by conventional growers:

'...if we're going to produce more food as a nation, we don't do it organically fundamentally.' Quote from GPMO manager (GP01)

Defining environmental sustainability

Views about the nature of environmental food sustainability varied, as exemplified by two fundamentally opposite perspectives:

'...the lack of food is the biggest problem throughout the world that people have got.' Quote from grower consultant (Con01)

'...the world doesn't need more and more, it just needs whatever we do, we've got to do it safely – in terms of the environment [...]. And basically we need enough but we don't need more than enough.'
Quote from policy commentator (Pol04)

Participants across the spectrum of conventional/organic, large GPMO/smaller grower-farmers conceptualised environmental impact in different ways. Whilst government initiatives to support environmental protection were generally perceived positively there were some that questioned whether the focus on carbon and renewable energy (rather than biodiversity, for example) was the right approach.

Pillar 3: the social pillar of sustainability

Drivers of consumer interest in vegetable consumption

Although growers were keen to see more action to encourage consumption there were criticisms of the 'Change for Life' 5-a-day campaign and many grower producers felt that messages about the health benefits of vegetables were ineffective.

'...five a day has not worked...' Quote from grower consultant (Con01)

'...I'm frustrated by how tied and restricted we are in selling the health messages.' Quote from GPMO manager (GP02)

Education, Income and Class

There seems to be an implicit understanding that class, income and education play a crucial role in food choice.

'...it's a privilege of the wealthy to eat organic vegetables.' Quote from grower consultant (Con01)

Consumer sovereignty and culture

The limits of consumer sovereignty were questioned. One, radical suggestion was that some parts of society should be incentivised (or compelled) to consume more fruit and vegetables. Others disagreed, arguing that consumers will choose vegetables if they are part of a rich cuisine:

'If you are getting some support payments [...] and you have health related issues, actually should we start [...] making sure that you have food vouchers [that] could only be traded for fruit and veg.' Quote from grower consultant (Con02)

'Don't bother with 5 a day and all that healthy stuff, push what's nice and the health will take care of itself. And [...] horticulture will take care of itself because everyone will be saying they want fresh vegetables.' Quote from policy commentator (Pol 04)

Discussion

The Curry Report, in adopting a policy based on market reconnection, aimed to create a '*a sustainable, competitive and diverse farming and food sector*' (2002: page 5). The discussion focuses on the three pillar model of marketing: planet, profit and people.

Planet – transformation of the environmental impact of vegetable production

It appears that the sector feels it has made progress on shifting to more sustainable production techniques especially when it comes to increased use of renewable energy and reduced use of

pesticides. Re-framing subsidies as payment for environmental protection places a market relationship between farmer and citizen at the heart of low impact production. But the instrumental rationality of focusing on reducing the environmental impact of vegetable production fails to capitalise on improvements on the environmental impact as a whole if a greater proportion of the nation's diet was based on vegetables and less on meat and dairy. Diversity was a food policy goal in The Curry Report but the domestic vegetable sector relies more on fewer product categories.

Profit – transformation of vegetable production

The dominance of GPMOs, working closely with the retail multiples, has transformed the sector into a professional and competitive part of the economy but domestic supply has declined. The GPMOs envisage a competitive shift in their favour as rising global demand for vegetables opens up opportunities for them abroad and increases their bargaining power at home. Governments cede governance of the supply chain to the retail multiples (Cerny and Evans, 2004) in return for low inflation and stringent quality control. But although low prices seem to be an essential part of the supermarket business model there seems to be a certain amount of marketing prestidigitation in the pricing of some vegetable produce. The sector is not more diverse and although the GPMOs are thriving, alternatives to the supermarket are not viable for many medium sized producers.

People – transformation of consumption for health goals

Despite the development of a more competitive and, in some respects, a more sustainable vegetable sector, consumption of vegetables has remained below recommended levels (see Appendix 1). Social marketing campaigns have tended to focus on rational messages. Attempts to transform vegetables into glamorous signifiers have been confined to niche markets for organic produce or farmers' markets.

So has marketing worked its transformational magic on the vegetable sector? The sector is smaller and more consolidated than it was before The Curry Report. Growers have responded by becoming more competitive; they collaborate with one another and with downstream organisations; and they have used subsidies linked to environmental protection to reduce inputs such as pesticides and to switch to cheaper fuel options such as renewables. Growers are keenly aware of the challenges to reduce costs, add value and protect environmental resources although it is clear that organic and conventional producers have different ways of looking at these issues. So it would seem that in some respects a turn to the market has brought about positive changes in the vegetable sector. But it seems ironic that marketing ideas and practices, criticised in many other contexts for encouraging over-production and over-consumption, appear to have been practically inadequate in the context of vegetable consumption.

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Appendix 1 Vegetable production and consumption aggregate data from published sources

Thousand tonnes (unless specified otherwise)			Calendar year				
			2009	2010	2011	2012	2013
						(provisional)	
Production							
Area (thousand hectares):			133	134	135	128	131
of which:	grown in the open (a) (b)		132	134	134	127	130
	protected (c)		1	1	1	1	1
Value of production (£ million):			1 093	1 272	1 228	1 260	1 323
of which:	grown in the open		814	941	920	949	1 004
	protected		278	331	309	311	320
Selected crops:	cabbages		64	71	79	54	66
	carrots		112	115	114	126	132
	cauliflowers		44	48	45	53	44
	calabrese		59	60	56	87	55
	lettuces		124	147	143	157	156
	mushrooms		104	113	119	114	115
	onions		50	109	85	60	97
	tomatoes		90	116	95	97	105
Prices (farm gate price (£ per tonne))							
Selected crops:	cauliflowers		410	435	444	591	503
	tomatoes		1 035	1 288	1 052	1 165	1 119
Supply and use (d)							
Total production			2 661	2 784	2 638	2 510	2 608
Imports from:	the EU		1 578	1 620	1 718	1 805	1 971
	the rest of the world		245	252	258	244	265
Exports to:	the EU		72	89	84	81	76
	the rest of the world		6	6	5	4	5
Total new supply			4 406	4 560	4 525	4 473	4 764
Production as % of total new supply for use in the UK			60	61	58	56	55

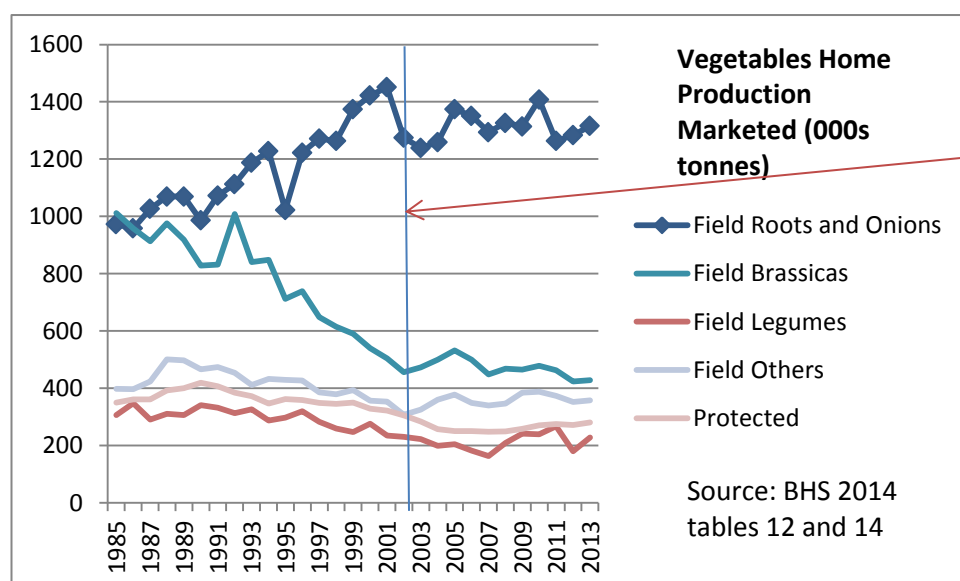
(a) Includes peas harvested dry for human consumption.

(b) Areas relate to field areas multiplied by the number of crops in the year and hence differ from those shown in table 2.2.

(c) Excludes area of mushrooms from 1992.

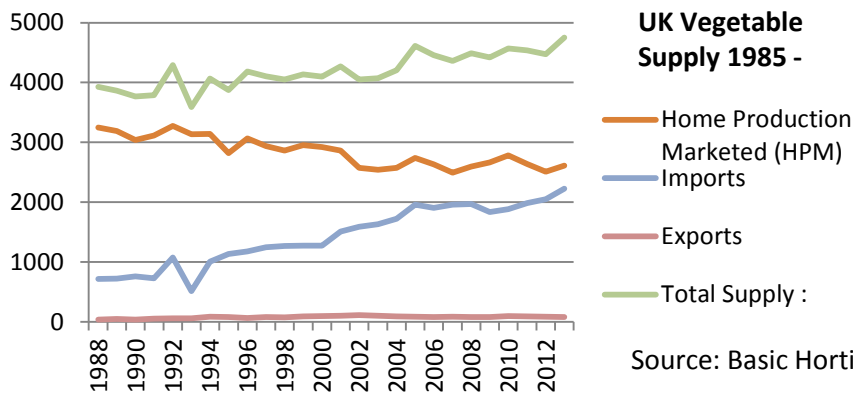
(d) Trade figures relate to fresh produce where distinguishable.

Source: (Agriculture in the United Kingdom, 2014a: page 47)



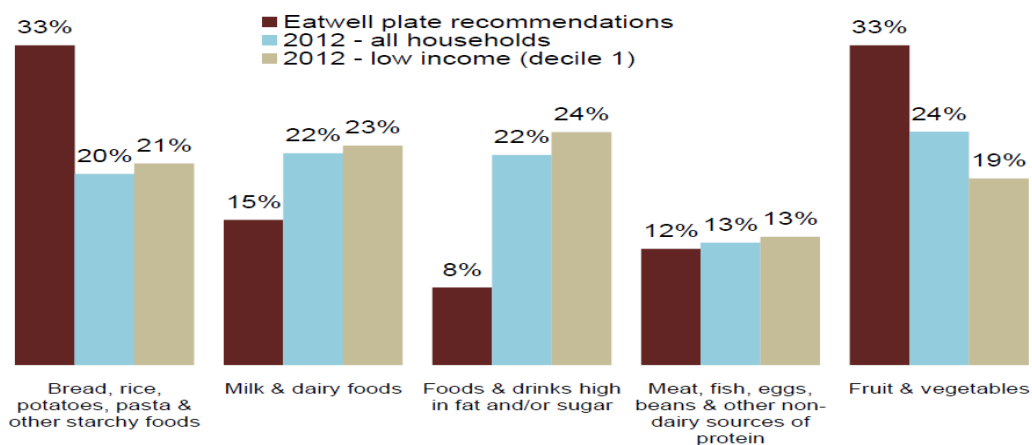
The Curry Report, which signalled a shift to a market oriented policy, was published in 2002

Source of data: (2014b) 2013 data are provisional.



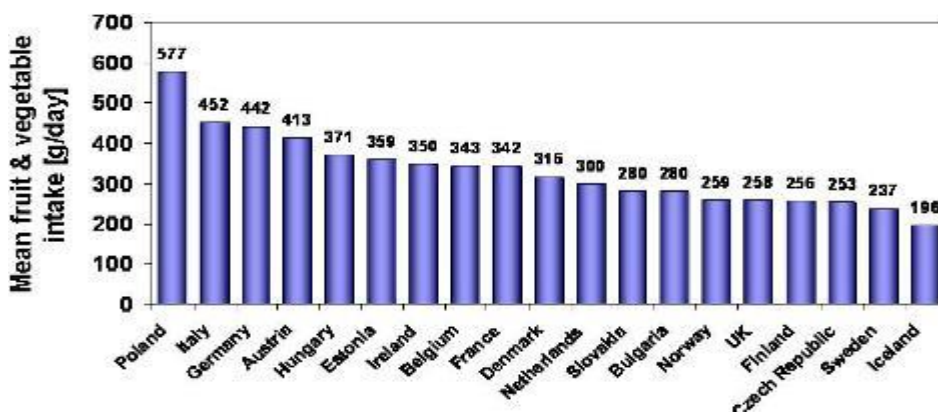
Although the overall supply of vegetables has increased, this has come from increased imports rather than home production. Consumption of vegetables in low income households has not increased and whilst levels of consumption overall are increasing, they are still some way short of recommended guidelines and levels in other European countries. The recommended amount is 400g per person per day.

Chart 5.4: Eatwell plate comparison for low income and all households



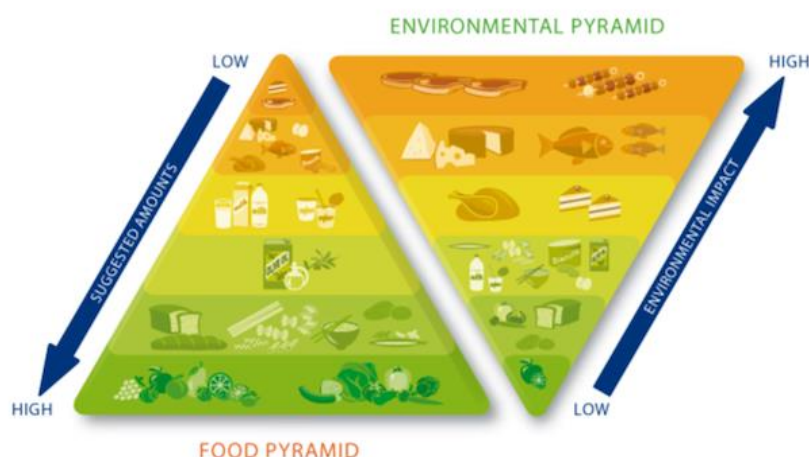
Source: (Defra, 2013: page vi)

Mean fruit & vegetable intake per country (in grams per day), excluding juices (13)



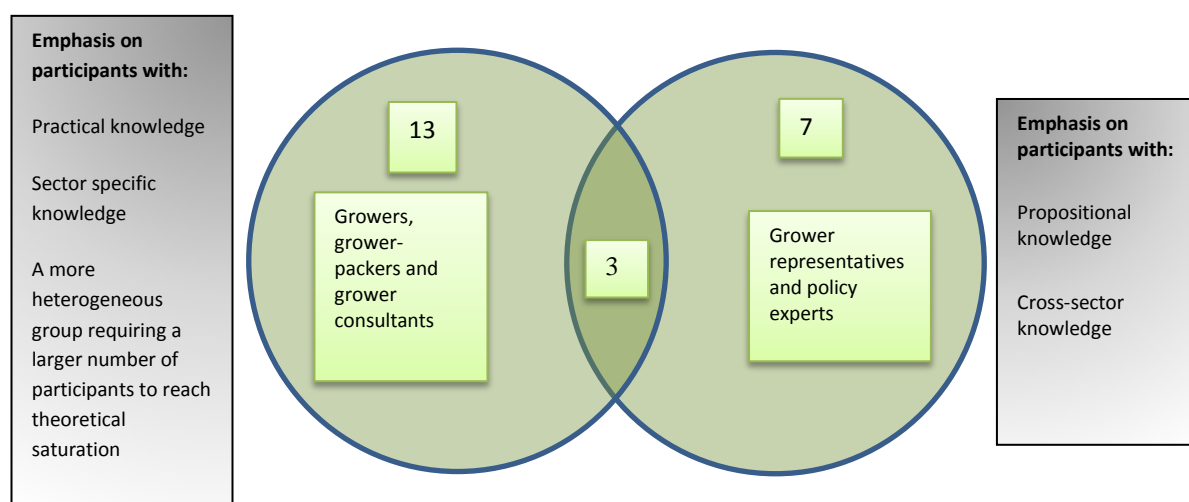
Source: (European Food Information Council, 2015)

Appendix 2 The Barilla Center Double Pyramid



Source: Double Pyramid, Barilla Center for Food & Nutrition (2010)

Appendix 3 Sample structure



It was decided to focus on domestic vegetable production in England for the following reasons: The sector was sufficiently large to be of concern to policy makers (unlike fruit); it was a group of products that could be easily grown domestically (unlike many varieties of fruit such as oranges and bananas); there was also a key market opportunity for the sector: health. A diet rich in fruit and vegetables, particularly when the fruit and vegetables were seasonal and local, was increasingly accepted as the ideal – from both a health (over- and under-consumption) and an environmental perspective (ecology and animal welfare) (2010); a focus on English producers reflected the scope of food and farming policy since policy was devolved in Scotland, Wales and Northern Ireland.